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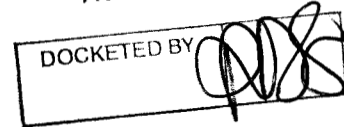


**ARIZONA CORPORATION COMMISSION**

August 14, 2009

Arizona Corporation Commission  
**DOCKETED**

**AUG 14 2009**



Mr. Robertson, Jr.  
Attorney for Sahuarita Water Company, L.L.C.  
P.O. Box 1448  
Tubac, Arizona 85646

RE: SAHUARITA WATER COMPANY, L.L.C'S APPLICATION FOR A RATE INCREASE,  
DOCKET NO. W-03718A-09-0359.

**LETTER OF DEFICIENCY**

Dear Mr. Robertson, Jr.:

In reference to your rate application received on July 17, 2009, this letter is to inform you that your application has not yet met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until August 31, 2009, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Crystal Brown. She can be reached at (602) 542-0864, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

*for*   
Nancy Scott  
Chief Accountant  
Financial & Regulatory Analysis Section  
Utilities Division

CC: Docket Control Center (sixteen copies)  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

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2009 AUG 14 P 3:27  
ARIZONA CORPORATION COMMISSION  
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## SAHUARITA WATER COMPANY L.L.C. – LIST OF DEFICIENCIES

1. Schedule H-5 should include bill counts for the annualized bills.
2. The title on Schedule H-5, page 11, should be changed to "1 Inch Irrigation."
3. If the \$15,240 amount shown on Schedule H-1, page 3, line 16, represents actual water usage, a bill count is required as well as rate information. Otherwise, please explain why the amount was included in "Metered Revenues" rather than "Other Water Revenues" in accordance with the NARUC USOA.
4. Total actual operating expense shown on Schedule A-2, line 3, for the years 2008-Actual, 2009-Present Rates, and 2009-Proposed Rates in the amounts of \$1,772,498, \$2,044,524, and \$2,487,149, respectively does not agree to the total actual operating expense shown on Schedule F-1, line 28 for the same years of \$1,697,075, \$1,969,101, and \$2,411,726.
5. Total actual operating expenses in the amount of \$1,697,075 shown on Schedule F-1, page 1, line 28, does not agree to the total actual operating expenses in the amount of \$1,772,498 shown on Schedule C-1, line 28.
6. Net income shown on Schedule A-2, line 13, for the years 2006, 2007, and 2008-Actual in the amounts of \$659,710, \$455,251, and \$420,886, respectively does not agree to the net income shown on Schedule E-2, line 38, for the same years.
7. Net income shown on Schedule A-2, line 13, for the year 2008-Actual in the amount of \$420,886 does not agree to the net income shown on Schedule C-1, line 37, of \$539,305 and Schedule F-1, line 37, of \$614,728.
8. The \$1,106,732 in CWIP indicated on Schedule A-4, line 6, for the year 2007 (i.e.  $\$10,056,955 - \$8,950,223 = \$1,106,732$ ) does not agree to the \$1,305,549 in CWIP for the year 2007 shown on line 4 of Schedule E-1.
9. The \$366,750 in CWIP indicated on Schedule A-4, line 8 for the year 2008 (i.e.  $\$1,697,583 - \$1,330,833 = \$366,750$ ) does not agree to the \$1,602,002 in CWIP for the year 2008 shown on line 4 of Schedule E-1.
10. Taxes charged to operations shown on Schedule E-8, page 1, does not include "Taxes Other Than Income" whereas Schedule C-1 (line 25) includes "Taxes Other Than Income" in the amount of \$11,602. The schedules are not consistent, please correct or explain).
11. Schedule E-9 does not discuss income tax treatment-normalization or flow through nor does it discuss the interest rate used to charge interest during construction as required by the Administrative Code. Please provide the required information for the financial statements included in the application.

12. The Arizona Department of Environmental Quality Compliance Status Report (CSR) was not submitted with the filing. This CSR needs to be filed in this docket.